

Suzanne Henderson  
**OIL, GAS AND MINERAL LEASE**

THIS AGREEMENT (this "Lease") made this 7th day of April, 2008, between **HIGHWAY 360, LLC, a California limited liability company**, as Lessor (whether one or more), whose address is 205 East Fifth Street, Corona, California 92879, and **EDGE RESOURCES, L.L.C., a Texas limited liability company**, as Lessee (whether one or more), whose address is 512 Main Street, Fort Worth, Texas 76102 called Lessee, does witness that:

All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

**SEE ATTACHED ADDENDUM FOR ADDITIONAL PROVISIONS**

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

**SEE EXHIBIT "A"**

in the county of Tarrant, State of Texas, containing 4.7279 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non-hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of 3 years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 25% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 25% of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities)

permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's

obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. Lessee shall not conduct any surface operations upon any part of the surface of the lease premises. Lessee shall however have a sub-surface easement to horizontally drill under the surface of the lease premises. Notwithstanding anything contained herein to the contrary, Lessee shall have the right to conduct seismic operations, but only by virtue of the vibroseis-method. Lessee shall employ such measures as will reduce the impact upon, improvements, vegetation and game habitat on the lease premises. Lessee shall pay for all damages related to seismic operations. Other than seismic operations, by execution of this Lease, Lessee does not otherwise obtain the right to conduct exploration, excavation or drilling operations from or upon the surface of any portion of the lease premises.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. This Lease may be executed in any number of counterparts, no one of which needs to be executed by all Parties, or this Lease may be ratified by separate written instrument specifically referring hereto, and it shall be binding upon all Parties who executed a counterpart or ratification instrument with the same force and effect, with each separate counterpart or ratification instrument deemed to be one and same original Lease.

17. **Variance.** Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the price or transportation of oil, gas and other substances covered hereby. Lessor hereby agrees that, in the event Lessee deems it necessary to seek a variance, waiver or other relief from any laws, rules, regulations, or orders (which for purposes of this paragraph shall include any ordinance) or other such authority exercised by (i.) the City of Arlington, including but not limited to the well setback distance for gas drilling and production, or (ii.) by any other governmental entity or authority

having jurisdiction, then Lessor shall engage in reasonable acts and execute and deliver such instruments and documents Lessee deems necessary or convenient in seeking such relief. In the event Lessee is required by such authority to acquire Lessor's consent as a prerequisite to obtain such variance, waiver or other relief, Lessor grants to Lessee and agrees that Lessee's leasehold estate acquired hereunder includes the right to utilize this lease as Lessor's consent and ratification of any subsequent variance, waiver or other relief Lessee seeks, without the necessity of Lessee obtaining any additional or subsequent consent/s from Lessor. Lessor furthermore agrees not to execute documents or instruments or engage in acts that would diminish or adversely affect the relief Lessee is seeking.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

IN WITNESS WHEREOF this instrument is executed on the date first above written.

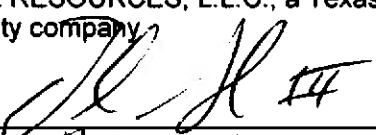
**LESSOR:**

HIGHWAY 360, LLC, a California limited liability company

by:   
name: L. Wayne Kiley  
title: Member

**LESSEE:**

EDGE RESOURCES, L.L.C., a Texas limited liability company

by:   
name: Thomas Gleason  
title: Agent

**LESSOR:**

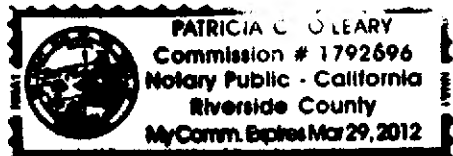
HIGHWAY 360, LLC, a California limited liability company

by: \_\_\_\_\_  
name: David Golkar  
title: Member

STATE OF CALIFORNIA

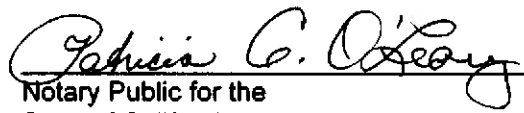
COUNTY OF RIVERSIDE

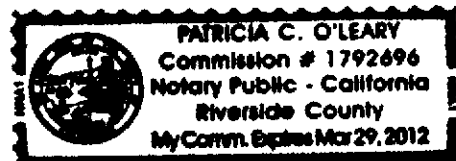
This instrument was acknowledged before me on the 7th day of April, 2008, by L. Wayne Kiley, the Member of Highway 360, LLC, a California limited liability company, on behalf of said company.



STATE OF CALIFORNIA

COUNTY OF ORANGE

  
Notary Public for the  
State of California



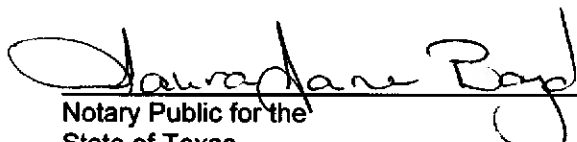
This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2008, by David Golkar, the Member of Highway 360, LLC, a California limited liability company, on behalf of said company.

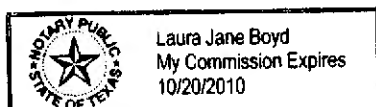
\_\_\_\_\_  
Notary Public for the  
State of California

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on the 28th day of April, 2008, by Thomas Gleason, the Agent of Edge Resources, L.L.C., a Texas limited liability company, on behalf of said company.

  
Notary Public for the  
State of Texas



## **ADDENDUM TO OIL, GAS, AND MINERAL LEASE**

This addendum is attached to and made part of that certain oil, gas, and mineral lease between HIGHWAY 360, LLC, a California limited liability company ("**Lessor**"), and EDGE RESOURCES, L.L.C., a Texas limited liability company ("**Lessee**"), dated April 7, 2008. If any of the following provisions conflict with or are inconsistent with any of the printed provisions of the terms of the lease, the following provisions shall control.

### **I.**

This lease shall be specifically limited to the production of oil and gas and those other gaseous or liquid hydrocarboneous minerals located within the leased premises.

### **II.**

In consideration of the leased premises, Lessee covenants and agrees to deliver to the credit of Lessor, in the pipeline to which it may connect its wells, 25 percent of all oil (including, but not limited to, condensate and distillate) produced and saved from the leased premises. Lessee further covenants and agrees to pay Lessor for gas (including casinghead gas) and all other substances covered by the lease, a royalty of 25 percent of the proceeds realized by Lessee from the sale of gas with said payments to be made monthly. Lessor's royalty on all oil and other liquid hydrocarbons produced and saved from the leased premises shall be delivered free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected. On gas produced from the leased premises and sold by Lessee or used on or off the leased premises, Lessor's royalty percentage shall reflect the market value of the gas at the point of sale, use, or other disposition.

The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee.

Notwithstanding anything in the lease to the contrary, it is agreed that the royalty paid under this lease shall be 25 percent. Further, it is agreed that Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the leased premises or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the producing, handling of oil or gas produced from the leased premises, processing, or treating; provided, however, Lessor's royalty shall bear its proportionate share of all ad valorem taxes and production, severance and other taxes and the actual, reasonable costs (including compression and related fuel charges) paid to or deducted by a third party to transport, compress, stabilize, process or treat the oil, gas and other mineral production off the leased premises in order to make the oil, gas and other mineral production saleable, increase its value or in order to get the oil,

gas and other mineral production to a market. It is the intent of the parties that the foregoing provisions of this addendum are to be fully enforceable and effective and are not to be considered as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d. 118 (1997).

If, after the point at which the oil, gas, or other minerals produced from the leased premises is delivered to a third party that is not an affiliate of Lessee ("**Third Party**") and that Third Party compresses, transports, processes, or treats oil, gas, or other minerals produced from said land, Lessor's royalty will bear its proportionate share of costs and expenses associated with such activities occurring after the gas is delivered to the Third Party, but the amount deducted for compression, transportation, processing, and treatment shall not exceed the amount that would be deducted from the Lessor's royalty for the same services under similar circumstances in an arms-length transaction between unaffiliated parties. If Lessee, or an affiliate of Lessee, constructs a gathering or pipeline system which delivers gas produced from the Land to a delivery point on a pipeline system owned by a Third Party (a "**Third Party Point of Delivery**") and if the line built by Lessee or Lessee's affiliate ceases to be owned by Lessee or an entity considered to be an affiliate of Lessee, Lessor's royalty shall never be charged with costs and expenses associated with the foregoing described activities incurred prior to the time the gas is delivered to the Third Party Point of Delivery.

### III.

Lessor, at its sole risk and expense, shall have the continuing right to take its royalty share of production in kind, provided Lessor must give Lessee 30 days advance written notice of Lessor's intent to take its royalty share of production in kind, and Lessor's election shall be for monthly periods of at least six consecutive months.

### IV.

If Lessee discovers gas capable of being produced in paying quantities in any well drilled on the leased premises or on land pooled with the leased premises, and should Lessee be unable to produce such well because of lack of market or marketing facilities or governmental restrictions, and should there be neither, other current production in paying quantities of oil, gas, or other hydrocarbon substances from the leased premises, nor operations sufficient to keep this lease in force, Lessee may at any time or times during or after the primary term at Lessee's election, pay as royalty ("shut-in gas well payment") a sum equal to \$25 per acre, annually, of the leased premises. While shut-in royalty payments are timely and properly paid, this lease will be held as a producing lease; provided, however, this lease shall never terminate due to Lessee's failure to timely pay shut-in royalties unless Lessor notifies Lessee in writing of such failure and Lessee fails to cure such failure within 60 days after receipt of such notice. The right of Lessee to maintain this lease in force by payment of shut-in gas royalty is limited to a period of two consecutive years and no more than three cumulative years over the life of the lease. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled to payment on or before the due date.

### V.

Notwithstanding anything in the lease to the contrary, Lessor specifically excepts and reserves from the leased premises those strata within 500 feet of the surface. It is also expressly agreed and understood that at the end of the

primary term of the lease or the expiration of the operations, additional drilling, reworking and continuous development provisions of this lease, whichever is later, this lease shall terminate as to all depths one hundred (100) feet below the stratigraphic equivalent of the base of the "Barnett Shale" horizon as identified through well logs.

VI.

Lessee agrees to include all of the leased premises in any unit formed for pooling purposes and shall not include any fractional portion of the leased premises without the prior written consent of Lessor. The size of the pooling unit shall not exceed the minimum size necessary to obtain the maximum production allowable. Notwithstanding anything in this provision to the contrary, the size of the pooling unit shall be 320 acres or less.

VII.

Lessee may at any time and from time-to-time execute and deliver to Lessor or file for record a release or releases of this lease as to any part or all of said land or any mineral or horizon under the lease, and thereby be relieved of all obligations incurred *after* such release, unless Lessee is restricted from surrendering the lease by the terms of a pooling agreement governing the land covered by this lease.

VIII.

Lessee shall notify Lessor of any assignment or sublease of this lease, and all assignees or sublessee shall be subject to all of Lessee's obligations under this lease. Lessor shall notify Lessee of any assignment of Lessor's interest in the land covered by the Lease.

IX.

Lessor shall have no obligation to act or support any variance, waiver, or other relief sought by Lessee from any law, rule, regulation, or order applicable to the leased premises.

X.

In the event Lessor considers that Lessee has failed to comply with any obligation imposed by the lease, express or implied, Lessor shall notify Lessee in writing, specifying in what respect Lessor claims Lessee has breached this lease. If, within 60 days after the receipt of such notice, Lessee shall meet the breach alleged by Lessor, Lessee shall not be deemed to be in default of the lease. If Lessee fails to meet the specified obligations and/or conditions of the lease within said 60 day notice period, Lessor shall have the exclusive right to terminate the lease and pursue all available remedies.

XI.

For purposes of this lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby land and is draining the leased premises. If an offsetting well is completed, Lessee must, within 120 days after the initial production from the offsetting well, commence operations for the drilling of an offset well on the leased premises as would a reasonably prudent operator



under the same or similar circumstances, and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee, (i) execute and deliver to Lessor a release in recordable form of the acreage that is reasonably being drained by said offsetting well and which is not already included in a producing unit; or (ii) pay Lessor a monthly royalty equal to the royalty that would be payable under this lease if the production from the offsetting well had come from the leased premises. A producing well whose producing perforations are located within 330 feet of the leased premises will be conclusively presumed to be draining the land.

## XII.

Lessee shall not be entitled to conduct any operations (including seismic testing) on the surface of the leased premises, or to otherwise enter upon or use any portion of the surface of the leased premises without the expressed written consent of Lessor, which may be withheld for any reason. Further, any consent to the use of the surface estate shall be memorialized by the execution by Lessor and Lessee of a "surface use agreement." However, this limitation shall not affect the right of Lessee or its successors and assigns to utilize the subsurface of the leased premises by directional or horizontal drilling activity under the surface of any portion of the leased premises provided the wellbores are at least 500 feet below the surface, other than the tract on which the surface location of the well is situated and/or from pooling in accordance with this lease. All subsurface easements provided by this provision shall terminate upon the expiration of the lease.

## XIII.

Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this lease (other than a requirement to pay money that has already accrued and is due), from conducting drilling or reworking operations under the lease, or from producing oil or gas, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply with the lease; this lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the lease premises; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, insurrection, strike, any federal or state law, or any rule or regulation of governmental authority, but financial reasons or shortage of equipment shall not be considered Force Majeure. This paragraph is, however, in all things subject to the limitations of time during which this lease may be continued in force by the payment of shut-in gas royalties. This lease may be extended by reason of Force Majeure for no more than two cumulative years.

## XIV.

Lessor makes no warranty of any kind with respect to title to the leased premises. By acceptance of this lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises, and Lessee assumes all risk of title failures. If Lessor owns an interest in the leased premises that is less than the entire mineral interest under the leased premises, then the royalties and shut-in payments payable under the lease will be reduced proportionately.



XV.

At all times while this lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the leased premises, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000. Upon written request, Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage. Such insurance requirements may be met by a combination of self-insurance, primary, and excess policies.

XVI.

LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY, OR RESULTING FROM, LESSEE'S OPERATIONS ON THE LEASED PREMISES OR LESSEE'S MARKETING OF PRODUCTION FROM THE LEASED PREMISES OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. AS USED IN THIS PARAGRAPH, THE TERM "LEASE PREMISES" INCLUDES THE LAND COVERED BY THE LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE THE TERMINATION OF THIS LEASE.

XVII.

For the purposes of this lease, the term "production" means production in paying quantities. "Paying Quantities" is defined as revenue from the sale of production from a well sufficient to return a profit, after deduction of royalties, overriding royalties, and production taxes, over and above all direct operating costs, but not included capital costs or district office overhead not directly attributable to the leased premises, for any twelve consecutive month period, without regard to whether a reasonably prudent lessee will continue to operate such well or wells.

XVIII.

Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas.

XIX.

In the event that this lease expires for any reason, Lessee shall, within 45 days after such expiration, furnish Lessor with a written, recordable release covering the leased premises.

LESSOR:

HIGHWAY 360, LLC, a California  
limited liability company

by: \_\_\_\_\_

name: L. Wayne Kiley

title: Member

LESSEE:

EDGE RESOURCES, L.L.C., a  
Texas limited liability company

by: \_\_\_\_\_

name: Thomas Gleason, III

title: Agent

LESSOR:

HIGHWAY 360, LLC, a California  
limited liability company

by: \_\_\_\_\_

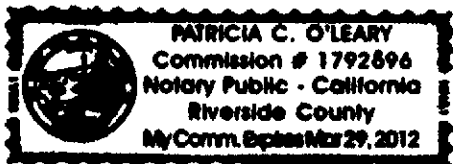
name: David Golkar

title: Member

STATE OF CALIFORNIA

COUNTY OF RIVERSIDE

This instrument was acknowledged before me on the 7 day of April, 2008, by L. Wayne Kiley, the Member of Highway 360, LLC., a California limited liability company, on behalf of said company.



Patricia C. O'Leary  
Notary Public for the  
State of California

STATE OF CALIFORNIA

COUNTY OF ORANGE

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, 2008, by David Golkar, the Member of Highway 360, LLC., a California limited liability company, on behalf of said company.

\_\_\_\_\_  
Notary Public for the  
State of California

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on the 28<sup>th</sup> day of April, 2008, by Thomas Gleason, the Agent of Edge Resources, L.L.C., a Texas limited liability company, on behalf of said company.



Laura Jane Boyd  
Notary Public for the  
State of Texas